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SUBJECT\$ WESTINGHOUSE

REF: STATE 082809

1. IN ORDER OBTAIN RESPONSES TO QUESTIONS POSED REFTEL, COMMERCIAL COUNSELOR CALLED ON DR. H.S. SHARAN, DIRECTOR-ECFINEERING AND K.R. PARAMEESVAN, CHIEF PLANNING AND DEVELOPMENT, OF BHEL ON APRIL 6.

2. BOTH SHARAN AND PARAMESVAN STATED THAT PROPOSED WESTINGHOUSE GAS TURBINE TECHNOLOGY TRANSFER AGREEMENT WAS STILL UNDER CONSIDERATION. AGREEMENT, THEY EMPHASIZED, WAS LINKED WITH PURCHASE OF WESTINGHOUSE GAS TURBINE GENERATING EQUIPMENT BY BHEL. WHOLE QUESTION OF RELATIVE MERITS OF GAS TURBINES, AS OPPOSED TO SMALL SIZE CAPTIVE COLA BURNING THERMAL POWER UNITS, TO MEET PRESENT POWER SHORTAGE, HAS BEEN UNDER CONSIDERATION NOW FOR FIVE MONTHS BY GOI AND SHARAN COULD GIVE NO PROMISE AS TO WHEN A DECISION MIGHT BE REACHED. SHARAN BROUGHT UP FAMILIAR ARGUMENT AGAINST GAS TURBINES - THAT THEY USE LARGE AMOUNT OF PETROLUuem OR GAS, WHICH MUST BE TAKEN FROM LIMITED INDIAN RESERVES OR IMPORTED. SHARAN ADDED THAT IF WORK ON CONSTRUCTION OF SMALLER THERMAL PLANTS HAD

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BEEN STARTED AT TIME WHEN GAS TURBINES WERE FIRST CONSIDERED IN 1976, FIRST UNITS WOULD HAVE BEEN COMPLETED WITHIN SIX MONTHS FROM NOW. IT APPEARED FROM TENOR SHARAN'S CONVERSATION THAT HE, AND POSSIBLY OTHERS IN BHEL, RETAIN CONSIDERABLE RESERVATIONS CONCERNING WISDOM OF PURCHASING GAS TURBINES TO MEET PRESENT POWER SHORTAGE IN INDIA. SHARAN ALSO SPOKE OF IMPROVEMENTS IN POWER

SITUATION THIS SUMMER, Owing TO COMPLETION OF LINKS BETWEEN PRESENT POWER GRIDS, WHICH WOULD RESULT IN GREATER FLEXIBILITY IN MEETING LOCAL POWER SHORTAGES.

3. DURING CONVERSATION CONCERNING SIEMENS AGREEMENT, SHARAN CLEARLY ENUNCIATED BHEL'S POLICY OF TECHNICAL LINKS WITH AS MANY FOREIGN FIRMS AS POSSIBLE. SHARAN STATED, IN THIS CONNECTION, THAT BHEL NOW HAS 32 TECHNICAL AGREEMENTS WITH FOREIGN FIRMS AND IS INTERESTED IN SEVERAL ADDITIONAL AGREEMENTS. NEW TYPE OF AGREEMENT WHICH BHEL WISHES TO MAKE INCLUDES FULL INVOLVEMENT OF BHEL WITH FOREIGN FIRMS FOR RESEARCH AND DEVELOPMENT. BHEL'S AGREEMENT WITH SIEMENS, SHARAN EMPHASIZED, WAS NOT "GLOBAL" IN RESPECT TO PRODUCT RANGE, BUT, RATHER, "GLOBAL" IN THE RANGE AND ASPECTS OF COLLABORATION. THERE WERE MANY OTHER PRODUCTS FOR WHICH BHEL WISHED TO DEVELOP MANUFACTURING COMPETENCE WHICH SIEMENS DID NOT PRODUCE AND GAS TURBINES WAS ONLY ONE OF THESE.

4. IN ANSWER TO COM COUNSELOR'S SPECIFIC QUESTION AS TO HOW BINDING WAS AGREEMENT WITH SIEMENS, SHARAN SAID BHEL HAD RETAINED FREEDOM TO WORK WITH OTHER FIRMS ON PRODUCTS COVERED IN AGREEMENT IF THIS WERE CONSIDERED NECESSARY. HE ALSO SAID THAT GOI REGULATIONS "ABSOLUTELY PRECLUDE" EXCLUSIVE PURCHASE WITHOUT GLOBAL TENDER. PURCHASE OF EQUIPMENT BY STATE ELECTRICITY BOARDS WOULD LIMITED OFFICIAL USE

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ALSO HAVE TO BE BY GLOBAL TENDER.

5. SHARAN WENT ON TO STATE AGAIN THAT IT WAS NOT AT ALL BHEL POLICY TO BECOME "APPENDIX OF ANY FOREIGN COMPANY". EVEN IF GAS TURBINE PURCHASES FOR KARNATAKA AND MAHARASHTRA DID NOT GO THROUGH, BHEL WAS INTERESTED IN COLLABORATION WITH WESTINGHOUSE FOR PRODUCTION OF SMALLER 15 MEGAWATT GAS TURBINES AND POTENTIALLY FOR PRODUCTION OF SOPHISTICATED MASS TRANSIT EQUIPMENT FOR WHICH THERE WOULD BE A GROWING NEED IN INDIA OVER COMING YEARS.

6. IN A REVIEW OF PAST RELATIONS WITH WESTINGHOUSE, SHARAN SAID THAT, IN ALL FRANKNESS, WESTINGHOUSE HAD NOT SHOWN VERY MUCH INTEREST IN COLLABORATION WITH BHEL UNTIL SUCH COLLABORATION HAD BEEN CONNECTED WITH THE PROSPECT FOR LARGE GAS TURBINE EQUIPMENT SALES. WESTINGHOUSE AND OTHER U.S. FIRMS HAVE OVER PAST YEARS NOT REPLIED TO BHEL'S CIRCULAR REQUESTS FOR TECHNICAL COLLABORATION AND FOR THIS REASON BHEL STILL HAD NO TECHNICAL AGREEMENTS WITH ANY LARGE AMERICAN FIRMS LIKE WESTINGHOUSE. AGREEMENT WITH SIEMENS AND OTHER EUROPEAN FIRMS HAD BEEN COMPLETED, SINCE THEY SEEMED TO SHOW MORE BASIC INTEREST IN COL-

LABORATION THANKDID U.S. FIRMS WITH THER LARGER DOMESTIC MARKETS AND CONSEQUENT PREOCCUPATION WITH THOSE MARKETS.

7. IN CONCLUSION SHARAN SAID WAY WAS OPEN FOR COLLABORATION AGREEMENTS WITH WESTINGHOUSE AND INVITED COMPANY TO COME FORWARD WITH PROPOSALS IN AREAS OTHER THAN THAT OF GAS TURBINES, WHERE DECISION WOULD BE DELAYED UNTIL GOI FINALLY RESOLVED OVERALL POLICY QUESTION OF WHETHER TO PURCHASE SUCH EQUIPMENT TO MEET PRESENT ENERGY POWER SHORTAGE OR TO CONSTRUCT SMALL CAPTIVE THERMAL UNITS AS A SUBSTITUTE.

8. WE HOPE ABOVE WILL PUT OVERALL SITUATION INTO PERSPECTIVE FOR WESTINGHOUSE REPS IN WASHINGTON.

9. ON APRIL 7 ECONOMIC TIMES OF DELHI CARRED ARTICLE
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STATING THAT GAS TURBINE PURCHASE FOR MAHARASHTRA LIKELY TO BE RESOLVED IN FAVOR WEST GERMAN FIRM, BUT SHARAN, WHEN AGAIN CONTACTED, CLAIMED HE KNEW NOTHING ABOUT ANY SUCH DECISION AND TENDED TO DISKSUNT AUTHENTICITY OF ARTICLE. WE UNDERSTAND FROM ESCORTS, WHO ACT AS WESTINGHOUSE AGENTS HERE, HOWEVER, THAT KWU IS NOW FAVORED TO GET MAHARASHTRA CONTRACT IF DECISION GOES FOR GAS TURBINES, ALTHOUGH KWU HAS AS YET NO SIGNED ORDER. ACCORDING TO ESCORTS, A MEETING WILL BE HELD NEXT WEEK OF STATE ELECTRICITY BOARDS, CENTRAL ELECTRICITY AUTHORITY, MINISTRY OF ENERGY, AND BHEL TO SET POLICY ON POWER GENERATING EQUIPMENT, INCLUDING IMPORTS.

GOHEEN

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